



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 20, 2004

Financial Audit Management Report

Donald R. Taylor, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, Mississippi 39205

Dear Mr. Taylor:

Enclosed for your review are the financial audit findings for the Mississippi Department of Human Services for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

1. Implement procedures for disabling user IDs for employees leaving agency service;
2. Strengthen controls over SAAS access; and
3. Properly report the value of employer-provided vehicles.

Please review the recommendations and submit a plan to implement them by January 14, 2005. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Department of Human Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Human Services for the year ended June 30, 2004. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Tonya Bierman, Susan Kimbrough, Daphonie Moulder, and Mary Jo Milner.

The fieldwork for audit procedures and tests was completed on November 24, 2004. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Human Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these accounts and not to provide assurance on the internal control over financial reporting.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. This matter is noted under the heading **REPORTABLE CONDITION**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe the reportable condition described in this letter is a material weakness.

In addition, we noted a matter involving the internal control over financial reporting that requires the attention of management. This matter is noted under the heading **IMMATERIAL WEAKNESS IN INTERNAL CONTROL**.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Human Services are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We are pleased to report the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that requires the attention of management. This matter is noted under the heading **IMMATERIAL NONCOMPLIANCE**.

REPORTABLE CONDITION

Procedures Should Be Implemented for Disabling User IDs for Employees Leaving Agency Service

Finding:

During our review of the Mississippi Department of Human Services, we noted the following weaknesses in disabling user IDs upon an employee leaving agency service:

- Nine terminated employees had active Resource Access Control Facility (RACF) user IDs. Last year there were eight terminated employees reported.
- Six terminated employees had active Windows 2000 user IDs. Last year there were 24 terminated employees reported.

Control Objectives for Information and Related Technology (CobiT), a generally accepted standard for good information technology security and control, as well as recognized industry best practices, require existence of adequate procedures to deactivate system access to terminated employees. Failure on the part of the agency to properly disable access for former employees could allow unauthorized access or fraud to occur without being discovered.

Recommendation:

We recommend the Mississippi Department of Human Services implement procedures to ensure employee user IDs are disabled immediately when an employee leaves agency service.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Controls over SAAS Access Should Be Strengthened

Finding:

During our audit of the Mississippi Department of Human Services, we reviewed the agency's approval levels established in the Statewide Automated Accounting System (SAAS). We noted the following:

- Three instances in which employees continued to have SAAS access after termination. After notification by auditors, the agency took immediate action to remove SAAS access for these former employees.
- One instance in which an employee maintained SAAS for 5 months after termination.

Good internal controls require employee access to computer systems be removed immediately upon termination. Failure to maintain adequate internal controls could allow errors or fraud to occur without being promptly detected.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure employee access to SAAS is removed immediately upon an employee leaving agency service.

IMMATERIAL NONCOMPLIANCE

The Value of the Employer-Provided Vehicles Should Be Reported

Finding:

Section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual states “The value of employer-provided vehicles used by state employees for commuting and personal use must be included in wages for social security, federal and state income tax, and retirement purposes.” During fringe benefit testwork at the Mississippi Department of Human Services, we noted the following:

- The former Executive Director was provided a state-owned vehicle; however, travel logs were not on file. Therefore, we could not determine if there was daily commuting which should have been reported on the employee’s wage records or W-2 form.
- The former Youth Services Director was provided a state-owned vehicle which was used for daily commuting, as well as official business travel according to travel logs on file; however, the fringe benefit amount associated with the travel which would be considered commuting was inaccurate on the employee’s wage records or W-2 form.

Failure to report the value of an employer-provided vehicle for commuting on employees’ wage records results in noncompliance with section 15.20.40 of the MAAPP manual and Internal Revenue Service policies regarding fringe benefits related to commuting. Also, failure to maintain travel logs detailing the use of employer-provided vehicles impedes our ability to audit for compliance.

Recommendation:

We recommend the Mississippi Department of Human Services ensure the value of employer-provided vehicles used for commuting is reported on wage records and on an employee’s W-2 form in compliance with section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual. We further recommend that the agency ensure that travel logs are maintained and filed for audit purposes.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 7, 2005

Single Audit Management Report

Donald R. Taylor, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, Mississippi 39205

Dear Mr. Taylor:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Human Services for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Tonya Bierman, Daphonie Moulder, Susan Kimbrough, Lutrina Bledsoe, Lisa Pendleton, Jay Strait, and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on March 4, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Compliance

The management of the Mississippi Department of Human Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

End of Report